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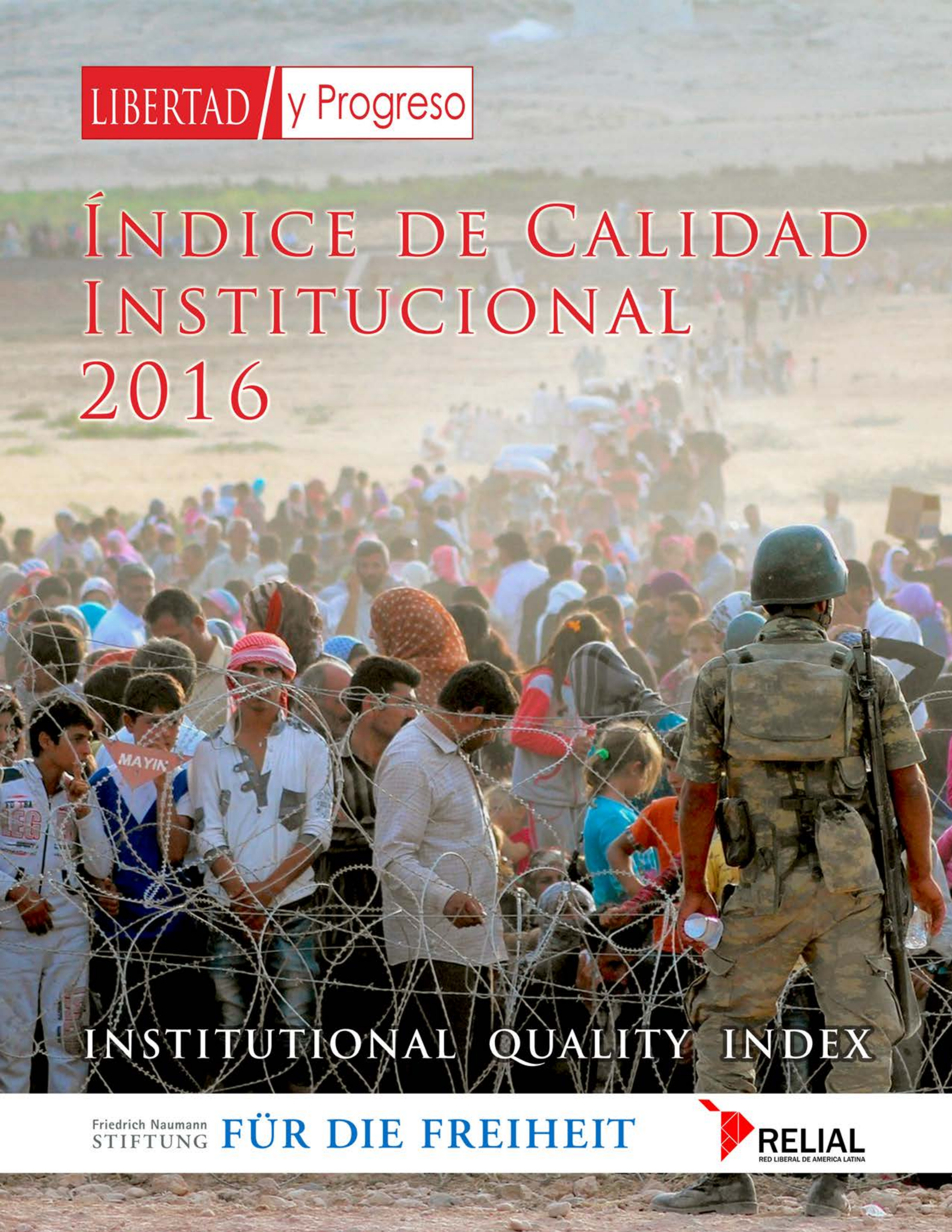
Índice de Calidad Institucional 2016



INSTITUTIONAL QUALITY INDEX

Friedrich Naumann STIFTUNG FÜR DIE FREIHEIT

RELIAL
RED LIBERAL DE AMERICA LATINA

Institutional Quality 2016

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Institutional Quality Index 2016

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Published by RELIAL – Red Liberal de América Latina.

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RED LIBERAL DE AMÉRICA LATINA

RELIAL was created in order to strengthen the cooperation and coordination among liberals in the region. It aims to gain more public space in positions of decision-making, make use of experiences, share them and become a counterweight to socialism.
RELIAL aims to be a belligerent and efficient liberal network, which helps to transform Latin America into a region characterized by liberal democracies and prosperous societies committed to the principles of freedom, individual responsibility, respect of private property, market economy, primacy of the rule of law and peace, in order to increase the life standards in the region.

Its principles are:

- Defense of liberal democracy
- Freedom and individual responsibility
- Respect of private property
- Promotion of a limited government
- Boost to market economy
- Primacy of rule of law
- Defense of peace

INSTITUTIONAL QUALITY IN 2016

Although changes in countries' institutional quality occur only gradually, it is still no easy matter to maintain a leading position in a globalised world characterised by ever greater institutional competition. The top four positions in the 2016 Institutional Quality Index are occupied by the same countries – Switzerland, New Zealand, Denmark and Finland – as 2006, the year in which the index was first published. They also occupy these positions in the retrospective reconstruction of the index that we incorporated last year, with the exception of Finland which achieved a significant improvement in its ranking between 1996 and 2006, climbing from tenth place in 1996 to third in 2002 and remaining in the top four ever since.

The top four countries have not always finished in the same order, however. Over the last ten years, Switzerland has come first on three occasions (2016, 2015, 2007), New Zealand once (2014), Denmark four times (2011, 2010, 2009, 2008) and Finland twice (2013 and 2012).

Over the 21 years for which IQI data are available (1996 to 2016), New Zealand came top on nine occasions, Switzerland on five, Denmark on four and Finland on three.

Since 1996, the countries among the leading group that have achieved the biggest improvements in their position include Sweden, which rose seven places to seventh, Estonia, which climbed 24 places to 15th and Taiwan, which went up 15 places to 18th. Iceland's ranking experienced the sharpest fall among the leading nations, going down sixteen places to 21st as a result of the collapse of its financial system during the 2008 crisis.

As for the bottom of the table, North Korea has the dubious distinction of having come last on every single occasion, followed by Eritrea and Turkmenistan.

The biggest improvement of any of the leading countries over the last year was achieved by the Netherlands, which climbed from 9th to 5th in the table.

The top-ranked countries

The top twenty countries in IQI 2016 are as follows:

	2016	IQI			2016	Political institutions			2016	Market institutions
1	Switzerland	0.9658		1	Norway	0.9917		1	Singapore	0.9948
2	New Zealand	0.9597		2	Finland	0.9911		2	Hong Kong SAR, China	0.9840
3	Denmark	0.9564		3	Sweden	0.9898		3	New Zealand	0.9650
4	Finland	0.9486		4	Denmark	0.9852		4	Switzerland	0.9566
5	Netherlands	0.9431		5	Netherlands	0.9807		5	United Kingdom	0.9484
6	Canada	0.9398		6	Switzerland	0.9750		6	United States	0.9480
7	Sweden	0.9300		7	Luxembourg	0.9610		7	Canada	0.9422
8	Norway	0.9276		8	New Zealand	0.9544		8	Australia	0.9286
9	United Kingdom	0.9273		9	Canada	0.9375		9	Denmark	0.9277
10	Australia	0.9238		10	Belgium	0.9357		10	Ireland	0.9198
11	Ireland	0.9209		11	Germany	0.9337		11	Taiwan, China	0.9177
12	Germany	0.9203		12	Iceland	0.9284		12	Germany	0.9069
13	United States	0.9063		13	Ireland	0.9220		13	Finland	0.9061
14	Luxembourg	0.8929		14	Austria	0.9194		14	Netherlands	0.9056
15	Estonia	0.8776		15	Australia	0.9190		15	United Arab Emirates	0.8777
16	Hong Kong SAR, China	0.8766		16	United Kingdom	0.9062		16	Estonia	0.8745
17	Austria	0.8740		17	Estonia	0.8807		17	Sweden	0.8702
18	Taiwan, China	0.8561		18	Barbados	0.8764		18	Norway	0.8636
19	Belgium	0.8552		19	France	0.8689		19	Japan	0.8610
20	Japan	0.8538		20	United States	0.8646		20	Mauritius	0.8502

The Institutional Quality Index (IQI) is a relative indicator. This means that it does not measure institutional quality in absolute terms, since there is no benchmark of perfection to compare it against. In other words, the number one ranked country did not necessarily score 10 out of 10, nor did the bottom country necessarily score 0. All the index tells us is that the top country did better than the rest and the bottom country did worse. The Swiss might not agree that their country should be top because they can point to imperfections in its institutional structure. While this view would be perfectly understandable, the index in fact makes no claim that their country has achieved optimum institutional quality. It is also unable to tell them how far they still have to go in order to achieve it. Nonetheless, what it can do is say that they are doing relatively better than all the other countries – still a valuable piece of information.

The indicator shown in the table is based on the average position achieved by each country across a selection of indexes that have been chosen to provide a representative assessment of institutional quality. Defining institutional quality is in itself no easy matter. Many people think of it as something that solely concerns a country's civil and legal institutions. However, there are in fact two different pathways through which we all seek to meet our needs. One of these does indeed involve politics and the State. But the other, which is often regarded as less important or overlooked altogether, is the market.

Let us take a closer look at this second aspect. Each and every one of us offers something to others, be it a product that we have made ourselves or together with others, a service that we provide on our own or with others, a good that we own, or our own labour which is ultimately also a service that we provide to others. In exchange, we receive payment which in a monetary economy (as opposed to a barter economy) comes in the form of money. This money is used to acquire the goods and services that we believe we need. The amount of money we receive is not something that we can decide for ourselves – it depends on how much others are prepared to pay for what we are offering them. In order for people to meet as many of their preferences as possible, it is necessary to have an institutional framework that facilitates the relevant exchanges. This includes clear ownership rights regarding the goods and services to be exchanged; the ability to conclude formal and informal contracts in order to facilitate these exchanges; a medium of exchange (currency) that enables the transactions to be carried out and – crucially – that does not distort them through sudden, arbitrary fluctuations in people's purchasing power; and for these transactions to be free from the imposition of unnecessary costs such as taxes or different types of regulation that either prevent them from being performed or cause them to diverge from the original wishes of the parties involved.

The IQI assesses all of these aspects by looking at the relative position occupied by each country in a range of different indexes:

- The Wall Street Journal and Heritage Foundation's Index of Economic Freedom.
  The categories covered by this index are property rights, freedom from corruption, fiscal freedom, government spending, business freedom, labour freedom, monetary freedom and trade, investment and financial freedom. These categories are evaluated using a range of indicators.
- The World Economic Forum's Global Competitiveness Report.
  This indicator aims to assess the competitiveness of the world's economies by evaluating the following 'pillars': institutions, infrastructure, macroeconomic environment, health and primary education, higher education and

training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size, business sophistication and innovation.
This indicator uses both statistical data and the results of a global executive opinion survey. In other words, it combines quantitative data with qualitative evaluations.

- The Economic Freedom of the World report, co-published by Canada's Fraser Institute, the Cato Institute in Washington DC and The Economist.
  This report also assesses the degree of economic freedom in different countries. The categories included are size of government: expenditure, taxes and enterprises; legal structure and security of property rights; access to sound money; freedom to trade internationally and regulation of credit, labour and business.
- The World Bank's Doing Business report.
  This indicator assesses how easy (or rather how difficult) it is to do business, evaluating the paperwork, costs and time involved in the following categories: Starting a Business; Dealing with Construction Permits; Getting Electricity; Registering Property; Getting Credit;
  Protecting Minority Investors; Paying Taxes; Trading Across Borders; Enforcing Contracts; Resolving Insolvency; Labour Market Regulation.

These are the four component indicators of the IQI's "Market Institutions" subindex. Although Singapore and Hong Kong occupy the top two places in this subindex, Hong Kong only comes 16th overall in the IQI owing to its weaker performance in the other IQI subindex which looks at the quality of political institutions. Singapore only comes 23rd overall for the same reasons.

The following indicators are used to evaluate the quality of political institutions:

- The World Bank's Rule of Law indicator.
  This indicator forms part of the World Bank's Worldwide Governance Indicators project. In essence, it seeks to capture "perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence".
- The World Bank's Voice and Accountability indicator.
  Drawing on the concepts of "exit and voice" developed by Albert Hirschmann, this indicator fundamentally seeks to evaluate the functioning or absence of democracy by capturing "perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association and a free media".
- Transparency International's Corruption Perceptions Index.
  This is a qualitative indicator (there are no precise metrics for determining the extent of corruption in different countries) based on the answers provided to a detailed questionnaire by different actors in each country who are considered to be well placed to evaluate the degree of corruption in their country.
- The Freedom House Freedom of the Press report.

This is also a qualitative indicator based on expert opinion in the following areas relating to how the press functions: the legal environment (the laws and regulations that influence the content of the information provided through the written press, radio, TV and the Internet); the political environment (political control of the media) and the economic environment which evaluates media ownership and financing, the extent of State advertising and other related aspects.

These are the four components of the subindex that assesses the quality of political institutions. The top places in the table are occupied by the Nordic countries which score highly as a group with regard to the rule of law and the civil and political freedoms of the people who live there.

It is interesting to note, however, that they all also rank highly in terms of their market institutions. Norway, which comes top of the political institutions table, also comes 18th in the market institutions table. Finland comes second for political institutions and 13th for market institutions, while Sweden comes third and 17th and Denmark fourth and 9th. Their relative positions on the two subindexes belie the view held in some quarters that the Nordic countries are quasi-socialist economies. The truth of the matter is that although they are countries with strong welfare states and high levels of taxation, they also have liberal trade regimes, a favourable investment environment and protection of property rights and freedom of contract that are the envy of many other countries. Moreover, two key factors need to be taken into account in the case of these countries: taxation is actually not as high as some people think and the higher rates mainly affect individuals rather than businesses. For instance, the corporate profit tax rate in Sweden is 22%, compared to 27.5% in Swaziland and 30% in Tunisia and Tanzania. In Brazil and Mexico it is as high as 34% and 30% respectively, whereas it is 34% in Norway, 20% in Finland and 23.5% in Denmark.

As for personal taxes, they range from 31% to 60% in Sweden, 0% to 47% in Norway (including an 8.2% employee pension contribution), 7.71% to 62% in Finland (including national (income) tax, municipal tax and pension contributions) and 30% to 48% in Denmark. By way of comparison, in Latin America the rates range from 9% to 35% in Argentina, 0% to 27.5% in Brazil, 0% to 33% in Colombia and 0% to 30% in Peru. It is of course important to remember that it is very difficult to make meaningful comparisons because of the different tax bases and deductions that exist in different countries, as well as differences in the services that tax revenue is used to provide. In the Nordic countries, taxes on corporate profits are lower. And although personal taxes are higher, the free healthcare and education services that people in these countries receive are of a much higher standard than those provided to people in Latin America, where personal tax rates are lower. In some countries such as Sweden, moreover, taxpayers are given vouchers that afford them a certain degree of freedom to choose between private and State-run schools and hospitals.

Switzerland's performance is also especially worthy of note. In addition to coming top of the IQI for the second year in a row, it is also the most consistent performer across both subindexes, coming sixth for political institutions and fourth for market institutions. Furthermore, Switzerland has managed to achieve this result in a country of several different cultures, languages and religions by leveraging the benefits of decentralisation and limitations on the power of the State. The combination of representative and direct democracy at the federal, cantonal and municipal levels, a collegial government where the main executive positions are rotated and fiscal competition between the cantons has delivered a very high level of institutional quality.

The lowest-ranked countries

The twenty lowest-ranked countries are as follows:

	2016	IQI			2016	Political institutions			2016	Market institutions
171	Cuba	0.1433		171	Tajikistan	0.1346		171	Liberia	0.1154
172	Iraq	0.1340		172	Chad	0.1325		172	Republic of Yemen	0.1058
173	Republic of the Congo	0.1273		173	Myanmar	0.1290		173	Zimbabwe	0.0927
174	Sudan	0.1181		174	Zimbabwe	0.1286		174	Myanmar	0.0920
175	Angola	0.1127		175	Islamic Republic of Iran	0.1200		175	Angola	0.0884
176	Zimbabwe	0.1107		176	Afghanistan	0.1174		176	Timor-Leste	0.0787
177	Myanmar	0.1105		177	Iraq	0.1145		177	Democratic Republic of the Congo	0.0785
178	Republic of Yemen	0.1065		178	Central African Republic	0.1141		178	Central African Republic	0.0701
179	Chad	0.0944		179	Libya	0.1109		179	Afghanistan	0.0688
180	Democratic Republic of the Congo	0.0939		180	Democratic Republic of the Congo	0.1093		180	Chad	0.0563
181	Afghanistan	0.0931		181	Republic of Yemen	0.1072		181	Syrian Arab Republic	0.0519
182	Central African Republic	0.0921		182	Bolivarian Republic of Venezuela	0.0967		182	Equatorial Guinea	0.0517
183	Bolivarian Republic of Venezuela	0.0622		183	South Sudan	0.0887		183	Republic of the Congo	0.0486
184	Libya	0.0608		184	Sudan	0.0723		184	Turkmenistan	0.0281
185	Syrian Arab Republic	0.0566		185	Uzbekistan	0.0660		185	Bolivarian Republic of Venezuela	0.0276
186	South Sudan	0.0523		186	Syrian Arab Republic	0.0614		186	Eritrea	0.0195
187	Equatorial Guinea	0.0471		187	Turkmenistan	0.0465		187	South Sudan	0.0159
188	Turkmenistan	0.0373		188	Eritrea	0.0431		188	Cuba	0.0112
189	Eritrea	0.0313		189	Equatorial	0.0425		189	Libya	0.0106

					Guinea					
190	North Korea	0.0098		190	North Korea	0.0139		190	North Korea	0.0056

North Korea has the dubious distinction of coming last in both the overall indicator and the two subindexes. The bottom of the table is dominated by African countries and Asian nations that have failed to keep up with or imitate the other successful countries in their region. The presence of two Latin American countries in the bottom twenty is also noteworthy: Cuba in 171st place and Venezuela in 183rd. Whether Cuba can really be better than Venezuela is a moot point, although recent advances in Cuba combined with a deterioration of the situation in Venezuela could provide some justification for this finding. However, it may also be a methodological artefact connected with the criteria for including a country in the IQI if it does not feature in all of the eight indicators used. Since it would be very restrictive only to include those countries that feature in all eight indicators, it was decided to include countries that feature in at least four of the indicators with at least one appearance in each subindex. In other words, a country may be included in the IQI if it features, for example, in three political institution indicators and one market institution indicator. As we will see below, this resembles Cuba's situation – the fact that it does not feature in some of the market indicators may artificially improve its position relative to Venezuela. It is interesting to note that Cuba actually ranks lower than Venezuela in the market institutions subindex.

This inevitably begs the question of whether there is a degree of subjectivity in the way that the ICI is compiled. And, equally inevitably, the answer to this question is yes. For instance, the political and market institution subindexes are given the same weighting – both account for 50% of the overall IQI score. Is this right, or should one subindex have a greater weighting than the other? This is a question that could be debated ad infinitum and the same would apply to any other weighting that might be settled on. The reason that both subindexes (and indeed each of the eight indicators) are given equal weighting is that freedom is a single concept that is reflected in both political and economic activity. Given the significance of the decisions taken in both areas, it seems appropriate to treat them as equally important. The fact that both subindexes have the same weighting also raises a dilemma insofar as certain issues are addressed by more than one indicator. Not only are there two economic freedom indexes (although they are by no means identical and their results are relatively different), but there are also certain components that appear in more than one indicator and therefore have a greater de facto weighting. Protection of property rights, for example, features in both the rule of law index and the two economic freedom indexes. It would, however, be impossible to exclude it from one or other of these indicators, and the very fact that it is included in all of them is a clear indication of its importance, demonstrating that its greater weighting is in fact justified.

But where have the worst tragedies occurred in terms of institutional quality? We have already mentioned the countries that have consistently featured at the bottom of the table ever since the IQI began. And there is no question that two decades of dismal institutional quality cannot have a good outcome for anybody. But tragedies – albeit perhaps less dramatic ones – can also be said to have occurred in those countries whose position in the table has suffered the greatest fall. For example, Bolivia has fallen 100 places since 1996, while Argentina fell 99 places and Ecuador and Venezuela both fell 74 places over the same period. This points to the particularly serious decline that has occurred in Latin America under the influence of the "socialism of the 21st century", the latest incarnation of populism that was ushered in along with the new century. The extent of the decline experienced by each country is of course linked to the position that they started from. Accordingly, Bolivia and Argentina have fallen further because they started in a higher position than Ecuador and Venezuela, although Venezuela is still much lower in the table than the rest of them.

Other 'tragedies' have occurred during this period in Zimbabwe (-66), Lebanon (-61), Papua New Guinea and Djibouti (both -59) and Belize (-58). It is true that among this group, Ecuador and Zimbabwe have actually risen seven and six places respectively over the last year, while Venezuela has also gone up one place. But this probably has more to do with the situation getting worse in the countries above them than with any improvement in their own situation, however small.

If we adopt a more "geographical" perspective, Europe is once again the leading continent with an average score of 0.7232, followed by Oceania with 0.5413, the Americas with 0.5187, Asia with 0.4329 and finally Africa with 0.2918. These figures give us some idea of the gap between the different continents. However, if we break down the figures for the Americas, we see that Canada and the United States actually have an average score of 0.9231. They are followed by the island states of the Caribbean (including Cuba and Haiti which undoubtedly bring down the average) with a score of 0.5509 and finally the countries of mainland Latin America with 0.4660, indicating the need for a change of course within this particular region.

Latin America

Institutional change is a gradual process and there will always be something of a delay before any changes are reflected in the IQI. This is because the IQI is based on indicators that were published in 2015, many of which used data from 2014 or in some cases even earlier. Readers in Argentina, for example, might expect to see an improvement owing to the reforms that have been introduced since their country's change of government. In actual fact, however, this is not reflected in the IQI 2016 which instead continues to highlight the decline that has occurred since the late 1990s, accelerating in the wake of the 2001/2002 crisis and being exacerbated still further in recent years. Accordingly, Argentina falls an additional five places in this year's index, coming 142nd overall.

In line with the approach taken ever since the IQI was first published, we will begin by looking at the results for the Americas as a whole rather than just Latin America. Although there are undoubtedly cultural differences between the region's Latin and non-Latin countries, it is also true that they all joined (or were assimilated into) the international community at around the same time in history. Differences in their legal systems have also played an important role: most Latin American countries inherited codified legal systems originating from continental Europe, whereas the other countries typically have English-style common law systems. These and other reasons that we have analysed in previous editions of this Index may explain the differences in performance across the region. The results for this year are as follows:

	2016	IQI			2016	Political institutions			2016	Market institutions
6	Canada	0.9398		9	Canada	0.9375		6	United States	0.9480
13	United States	0.9063		18	Barbados	0.8764		7	Canada	0.9422
22	Chile	0.8278		20	United States	0.8646		21	Chile	0.8463
32	Costa Rica	0.7710		22	Saint Lucia	0.8467		39	Costa Rica	0.7336
33	Saint Lucia	0.7708		25	Saint Vincent and the Grenadines	0.8333		43	Saint Lucia	0.6950
38	Saint Vincent and the Grenadines	0.7164		27	Uruguay	0.8211		54	Peru	0.6494
40	Uruguay	0.6990		29	Chile	0.8092		55	Panama	0.6479
41	Dominica	0.6918		30	Costa Rica	0.8084		60	Jamaica	0.6332
42	Barbados	0.6900		32	Bahamas	0.8065		64	Mexico	0.6218
45	Bahamas	0.6810		37	Saint Kitts and Nevis	0.7782		65	Dominica	0.6130
53	Jamaica	0.6431		39	Dominica	0.7705		66	Saint Vincent and the Grenadines	0.5994
60	Panama	0.6087		52	Grenada	0.6906		68	Colombia	0.5902
66	Saint Kitts and Nevis	0.5637		60	Jamaica	0.6529		69	Uruguay	0.5770
67	Trinidad and Tobago	0.5631		62	Trinidad and Tobago	0.6249		71	El Salvador	0.5676
68	Peru	0.5596		67	Antigua and Barbuda	0.6008		74	Guatemala	0.5636
74	El Salvador	0.5430		70	Belize	0.5866		77	Bahamas	0.5554

77	Antigua and Barbuda	0.5279		71	Suriname	0.5851		84	Barbados	0.5035
79	Colombia	0.5214		76	Panama	0.5694		85	Trinidad and Tobago	0.5013
88	Mexico	0.5122		77	Brazil	0.5673		94	Dominican Republic	0.4630
94	Grenada	0.4908		86	El Salvador	0.5185		95	Antigua and Barbuda	0.4550
96	Dominican Republic	0.4717		96	Dominican Republic	0.4804		104	Honduras	0.4131
98	Brazil	0.4638		98	Peru	0.4699		107	Paraguay	0.4006
100	Belize	0.4619		100	Guyana	0.4539		110	Nicaragua	0.3672
106	Guatemala	0.4208		101	Colombia	0.4526		113	Brazil	0.3602
112	Suriname	0.4007		111	Argentina	0.4028		115	Saint Kitts and Nevis	0.3492
119	Paraguay	0.3644		112	Mexico	0.4025		119	Belize	0.3371
122	Guyana	0.3570		114	Bolivia	0.3947		130	Grenada	0.2910
125	Nicaragua	0.3497		129	Nicaragua	0.3323		134	Ecuador	0.2773
131	Honduras	0.3405		131	Paraguay	0.3282		136	Guyana	0.2602
140	Bolivia	0.2926		141	Ecuador	0.3016		147	Suriname	0.2164
142	Argentina	0.2904		145	Guatemala	0.2779		149	Haiti	0.2136
144	Ecuador	0.2895		146	Cuba	0.2754		160	Bolivia	0.1904
162	Haiti	0.2179		147	Honduras	0.2680		161	Argentina	0.1780
171	Cuba	0.1433		157	Haiti	0.2223		185	Bolivarian Republic of Venezuela	0.0276
183	Bolivarian Republic of Venezuela	0.0622		182	Bolivarian Republic of Venezuela	0.0967		188	Cuba	0.0112

As usual, Canada and the United States come first and second, while Chile and Costa Rica are the leading Latin American countries and Saint Lucia and Saint Vincent and the Grenadines are the highest-ranking Caribbean islands. The standout performer is obviously Canada whose position at the top of the table can be attributed to the economic reforms that turned around its economy back in the 1990s. Canada has now recovered the places that it lost between 2003 and 2007. Chile's performance is also worthy of note, since its results are among the most consistent of any of the countries included in the IQI. Its position has not changed compared to 21 years ago, ten years ago or 2015. This is one of the characteristics of countries with sound institutional quality – governments of different political colours may come and go, but there seems to be a fundamental underlying consensus in terms of the need to respect a certain type of institutional framework which is thus maintained over the course of time. This consensus is itself of central importance to the country's institutional quality, since it becomes the key enabler of "legal certainty", far more so than any written laws or constitution. It allows investors to adopt a long-term strategy by minimising the risks associated with political institutions, although of course it cannot eliminate them completely. This sound institutional basis also seems to inhibit attempts to make changes that could have a negative impact on the country's institutional framework, although it does now appear that the Chileans want to introduce some changes to this effect. Before they do so, they would perhaps do well to consider the cost of weakening the prevailing consensus. Finally, Saint Lucia and Saint Vincent and the Grenadines show how the small island nations can and perhaps even must have good-quality institutions. Their size means that they cannot shut themselves off from the rest of the world – they need to adopt an outward-looking attitude, especially in terms of trade and finance. By following the imperative to open themselves up in this way, they will inevitably encounter increased institutional competition. Their response should be to create an institutional and legal framework that enables them to compete in a highly competitive environment. These two nations also lend weight to the hypothesis that countries which inherited the common law system are more likely to have institutions that favour respect for freedoms, property rights and contracts.

As ever, the performance of some countries differs across the two areas covered by the IQI. Several countries – Panama, Guatemala, Mexico, Paraguay and Nicaragua – have improved their performance with regard to market institutions but have stayed the same or got worse with regard to political institutions. Others, including Saint Vincent and the Grenadines, Uruguay, the Bahamas, Saint Kitts and Nevis and Belize, score worse on their market institutions than on their political ones.

In terms of how countries' performance has evolved over time, the following table compares the results for 1996, ten years ago and one year ago:

	21 years ago	10 years ago	1 year ago
Antigua and Barbuda		-26	-13
Argentina	-98	-45	-5
Bahamas	-28	-22	-6
Barbados	-14	-12	-1
Belize	-58	-48	-13
Bolivia	-100	-37	-1
Brazil	3	-22	-2
Canada	1	3	1
Chile	0	-1	0
Colombia	18	5	3
Costa Rica	-7	13	6
Cuba	-29	-22	2
Dominica		3	9
Dominican Republic	-24	-7	5
Ecuador	-74	-22	7
El Salvador	-17	-10	18
Grenada		-35	-8
Guatemala	-31	1	1
Guyana	-42	-23	0
Haiti	-43	-8	3
Honduras	-55	-20	-1
Jamaica	-17	-5	9
Mexico	-6	-19	0
Nicaragua	-40	-37	-11
Panama	-26	-4	10
Paraguay	-56	7	5
Peru	15	5	-5
Saint Kitts and Nevis		-19	0
Saint Lucia		-8	4
Saint Vincent and the Grenadines		-9	2
Suriname	-18	-35	-1
Trinidad and	-35	-13	8

Tobago			
United States	-4	-7	0
Uruguay	1	11	3
Bolivarian Republic of Venezuela	-74	-30	1

The countries with positive short-term trends include Panama (+10), Jamaica (+9), Dominica (+9), Trinidad and Tobago (+8), Ecuador (+7), Costa Rica (+6), the Dominican Republic (+5) and Paraguay (+5). The countries with the most negative recent trends are Antigua and Barbuda (-13), Belize (-13), Nicaragua (-11), Grenada (-8), the Bahamas (-6) and Argentina (-5). Over the longer term, we have already seen that the countries to have suffered the largest falls are Bolivia, Argentina, Venezuela, Ecuador, Belize, Honduras, Guyana and Nicaragua, reflecting the decline in institutional quality that generally accompanies the Bolivarian brand of populist political movements. Few countries have achieved long-term improvements, with the notable exception of Colombia (+18) and Peru (+15) which, like Chile and Uruguay, also show signs of having built a basic consensus concerning the importance of certain institutions.

The table below shows the relative performance of the region's countries for each of the different indicators included in our analysis. The top-ranking country for the whole of the Americas appears in bold, while the highest-placed Latin American country appears in bold italics and the bottom-ranked country appears in red:

2016	Rule of Law	Voice & Acc.	Freedom Press	Corruption	Global Comp	Heritage	Fraser	Doing Business
Country								
Antigua and Barbuda	0.4928	0.6814	0.6281					0.4550
Argentina	0.1866	0.5882	0.4673	0.3690	0.2500	0.0562	0.0407	0.3651
Bahamas	0.7464	0.8088	0.8643			0.8315	0.3902	0.4444
Barbados	0.8182	0.9167	0.8945			0.7528	0.3821	0.3757
Belize	0.2488	0.6618	0.8492			0.3483	0.2927	0.3704
Bolivia	0.1292	0.4853	0.5477	0.4167	0.1714	0.1067	0.3089	0.1746
Brazil	0.5550	0.6078	0.5528	0.5536	0.4714	0.3258	0.2520	0.3915
Canada	**0.9474**	**0.9559**	0.8945	**0.9524**	0.9143	**0.9719**	**0.9512**	0.9312
Chile	***0.8804***	0.8039	0.6834	0.8690	***0.7571***	***0.9663***	***0.9106***	0.7513
Colombia	0.4258	0.4608	0.4121	0.5119	0.5714	0.8258	0.2439	0.7196
Costa Rica	0.7129	***0.8382***	***0.9146***	0.7679	0.6357	0.7303	0.8699	0.6984
Cuba	0.3254	**0.0686**	**0.0352**	0.6726		**0.0112**		
Dominica	0.6890	0.8235	0.7990			0.7022		0.5238
Dominican	0.4067	0.5392	0.5829	0.3929	0.3071	0.5112	0.5203	0.5132

Republic								
Ecuador	0.1388	0.3971	0.3015	0.3690	0.4643	0.1124	0.1463	0.3862
El Salvador	0.3589	0.5245	0.6131	0.5774	0.3286	0.6517	0.7398	0.5503
Grenada	0.5024	0.7402	0.8291					0.2910
Guatemala	0.1483	0.3529	0.3367	0.2738	0.4500	0.5449	0.6829	0.5767
Guyana	0.3206	0.5441	0.6533	0.2976	0.1429	0.2921	0.3252	0.2804
Haiti	0.0813	0.2549	0.4874	0.0655	**0.0500**	0.1685	0.5935	0.0423
Honduras	0.1531	0.3382	0.2412	0.3393	0.3786	0.3708	0.4797	0.4233
Jamaica	0.4450	0.6569	0.9146	0.5952	0.3929	0.7416	0.7317	0.6667
Mexico	0.3828	0.4804	0.3065	0.4405	0.6000	0.6573	0.4309	***0.7989***
Nicaragua	0.2919	0.3578	0.4472	0.2321	0.2357	0.3933	0.4959	0.3439
Panama	0.5502	0.6324	0.5176	0.5774	0.6500	0.6348	0.6667	0.6402
Paraguay	0.2823	0.4314	0.3668	0.2321	0.1643	0.5393	0.4228	0.4762
Peru	0.3349	0.5147	0.5477	0.4821	0.5143	0.7247	0.6179	0.7407
Saint Kitts and Nevis	0.6172	0.8480	0.8693					0.3492
Saint Lucia	0.7177	0.8725	**0.9497**			0.7921		0.5979
Saint Vincent and the Grenadines	0.7225	0.8627	0.9146			0.7809		0.4180
Suriname	0.4976	0.6422	0.7186	0.4821		0.2528		0.1799
Trinidad and Tobago	0.5311	0.6275	0.7638	0.5774	0.3714	0.5955	0.5041	0.5344
United States	0.8995	0.7990	0.8492	0.9107	**0.9857**	0.9438	0.8943	**0.9683**
Uruguay	0.7608	0.8284	0.8141	***0.8810***	0.4857	0.7753	0.5285	0.5185
Bolivarian Republic of Venezuela	**0.0096**	0.1912	0.1206	**0.0655**	0.0643	0.0169	**0.0081**	**0.0212**

As far as the Rule of Law indicator is concerned, Canada comes top overall, Chile is the highest-placed Latin American country and Venezuela comes bottom. Canada also comes top with regard to the functioning of democracy (Voice and Accountability), but Costa Rica is the leading Latin American country for this indicator and Cuba comes last. Saint Lucia is the top-rated country for Freedom of the Press in the region as a whole, with Costa Rica coming top of the Latin American countries and Cuba once again bringing up the rear. As for the last of the political indicators, Canada is the country with the lowest level of corruption in the Americas, Uruguay rates highest among the Latin American countries and Venezuela comes bottom of the table.

Moving on to the market indicators, the United States come top overall for Global Competitiveness, while Chile is the highest-placed Latin American country and Haiti takes bottom spot. The Heritage Economic Freedom indicator puts Canada first overall, Chile first among the Latin American countries and Cuba in last place. The other Economic Freedom of the World indicator compiled by the Fraser Institute also puts Canada first for the region as a whole and Chile first among the Latin American countries, but in this case it is Venezuela that comes last (Cuba is not evaluated). Finally, the Doing Business indicator ranks the United States as the country where it is easiest to do business. Mexico replaces Chile as the leading Latin American country for this indicator, a change that will need to be monitored closely in the future. Venezuela, meanwhile, comes bottom once more.

Institutional evolution

As stated previously, there is no absolute benchmark that can be used to evaluate the performance of different countries with regard to institutional quality. Although we are able to establish that some countries have better institutions than others, the lack of an absolute benchmark means that we cannot say for sure whether institutional quality is getting better or worse in the world as a whole and within our own region. In other words, it is not possible to make out the overall trend.

As such, any assessment we make will inevitably be qualitative in nature. As long as this is taken into account, it could perhaps be argued that institutional quality across the world as a whole has been on an upward curve in recent decades, a trend promoted and driven by the institutional competition created by globalisation. The fall of the communist regimes that occurred before we started publishing this index has resulted in improvements to the institutions of virtually all the countries that abandoned the communist model. Some, such as Estonia, are now amongst the highest-ranked countries in the index. Others, such as Turkmenistan, have failed to achieve an improvement in their institutions despite the change of regime and remain among the lowest-ranked countries.

The advances made in Asia and latterly in some African countries also point to a potential improvement in institutional quality. And significant progress was also achieved in Latin America from the 1980s onwards, following the demise of the military dictatorships that trampled on democracy and human rights whilst often also wreaking economic havoc. Although some countries in the region improved their market institutions during the 1990s, others went backwards, reverting to what they were like in the 1970s or even worse. Was this because these societies chose to turn away from the challenges and uncertainties of a new, globalised world? Perhaps, but be that as it may, the fact is that this choice led to a pronounced deterioration in institutional quality throughout the region. However, there are now some signs that this decline may have halted and that things may be getting back on the right track. The new government in Argentina and Venezuela's newly-installed Congress seem to be a strong indication that the people of Latin America have decided to abandon Chávez-style populism and the devastating impact that it has on their countries' institutions. It remains to be seen whether this is truly the case and whether it is symptomatic of a wider trend across the rest of the region. It also remains to be seen whether it will be a lasting trend and whether it will be possible to build the kind of institutional consensus that has been achieved by a small handful of countries in the region, allowing them to significantly outperform their neighbours and create more opportunities for progress for the people who live there.

APPENDIX

THE COMPLETE RANKINGS

	2016	IQI			2016	Political institutions			2016	Market institutions
1	Switzerland	0.9658		1	Norway	0.9917		1	Singapore	0.9948
2	New Zealand	0.9597		2	Finland	0.9911		2	Hong Kong SAR, China	0.9840
3	Denmark	0.9564		3	Sweden	0.9898		3	New Zealand	0.9650
4	Finland	0.9486		4	Denmark	0.9852		4	Switzerland	0.9566
5	Netherlands	0.9431		5	Netherlands	0.9807		5	United Kingdom	0.9484
6	Canada	0.9398		6	Switzerland	0.9750		6	United States	0.9480
7	Sweden	0.9300		7	Luxembourg	0.9610		7	Canada	0.9422
8	Norway	0.9276		8	New Zealand	0.9544		8	Australia	0.9286
9	United Kingdom	0.9273		9	Canada	0.9375		9	Denmark	0.9277
10	Australia	0.9238		10	Belgium	0.9357		10	Ireland	0.9198
11	Ireland	0.9209		11	Germany	0.9337		11	Taiwan, China	0.9177
12	Germany	0.9203		12	Iceland	0.9284		12	Germany	0.9069
13	United States	0.9063		13	Ireland	0.9220		13	Finland	0.9061
14	Luxembourg	0.8929		14	Austria	0.9194		14	Netherlands	0.9056
15	Estonia	0.8776		15	Australia	0.9190		15	United Arab Emirates	0.8777
16	Hong Kong SAR, China	0.8766		16	United Kingdom	0.9062		16	Estonia	0.8745
17	Austria	0.8740		17	Estonia	0.8807		17	Sweden	0.8702
18	Taiwan, China	0.8561		18	Barbados	0.8764		18	Norway	0.8636
19	Belgium	0.8552		19	France	0.8689		19	Japan	0.8610
20	Japan	0.8538		20	United States	0.8646		20	Mauritius	0.8502
21	Iceland	0.8459		21	Portugal	0.8523		21	Chile	0.8463
22	Chile	0.8278		22	Saint Lucia	0.8467		22	Austria	0.8286
23	Singapore	0.8258		23	Japan	0.8467		23	Luxembourg	0.8248
24	Czech Republic	0.8161		24	Malta	0.8335		24	Czech Republic	0.8131
25	Portugal	0.8099		25	Saint Vincent and the Grenadines	0.8333		25	Israel	0.8100

26	Mauritius	0.7953		26	Palau	0.8292		26	Republic of Korea	0.8037
27	France	0.7906		27	Uruguay	0.8211		27	Malaysia	0.8021
28	Israel	0.7865		28	Czech Republic	0.8191		28	Qatar	0.7872
29	Lithuania	0.7835		29	Chile	0.8092		29	Lithuania	0.7797
30	Poland	0.7737		30	Costa Rica	0.8084		30	Belgium	0.7747
31	Republic of Korea	0.7711		31	Cyprus	0.8067		31	Bahrain	0.7687
32	Costa Rica	0.7710		32	Bahamas	0.8065		32	Portugal	0.7676
33	Saint Lucia	0.7708		33	Poland	0.7975		33	Iceland	0.7633
34	Malta	0.7623		34	Taiwan, China	0.7945		34	Georgia	0.7616
35	Spain	0.7606		35	Lithuania	0.7873		35	Latvia	0.7568
36	Latvia	0.7549		36	Slovenia	0.7864		36	Macedonia (FYROM)	0.7521
37	Cyprus	0.7209		37	Saint Kitts and Nevis	0.7782		37	Poland	0.7500
38	Saint Vincent and the Grenadines	0.7164		38	Spain	0.7772		38	Spain	0.7440
39	Slovakia	0.7126		39	Dominica	0.7705		39	Costa Rica	0.7336
40	Uruguay	0.6990		40	Hong Kong SAR, China	0.7691		40	Romania	0.7244
41	Dominica	0.6918		41	Israel	0.7631		41	France	0.7124
42	Barbados	0.6900		42	Marshall Islands	0.7584		42	Kazakhstan	0.7064
43	Georgia	0.6886		43	Cape Verde	0.7559		43	Saint Lucia	0.6950
44	United Arab Emirates	0.6872		44	Latvia	0.7530		44	Malta	0.6910
45	Bahamas	0.6810		45	Slovakia	0.7428		45	Slovakia	0.6825
46	Botswana	0.6760		46	Mauritius	0.7403		46	Bulgaria	0.6740
47	Hungary	0.6738		47	Republic of Korea	0.7385		47	Oman	0.6672
48	Romania	0.6726		48	Samoa	0.7249		48	Kuwait	0.6656
49	Slovenia	0.6693		49	Federated States of Micronesia	0.7207		49	Hungary	0.6635
50	Qatar	0.6655		50	Vanuatu	0.7106		50	Botswana	0.6591
51	Malaysia	0.6635		51	Botswana	0.6929		51	Jordan	0.6579
52	Italy	0.6572		52	Grenada	0.6906		52	Saudi Arabia	0.6577

53	Jamaica	0.6431		53	Italy	0.6890		53	Armenia	0.6498
54	Samoa	0.6413		54	Hungary	0.6841		54	Peru	0.6494
55	Bulgaria	0.6346		55	Namibia	0.6762		55	Panama	0.6479
56	Macedonia (FYROM)	0.6267		56	Kiribati	0.6667		56	Rwanda	0.6440
57	Montenegro	0.6204		57	Ghana	0.6642		57	Brunei Darussalam	0.6400
58	South Africa	0.6136		58	Singapore	0.6569		58	Montenegro	0.6365
59	Vanuatu	0.6087		59	South Africa	0.6546		59	Cyprus	0.6352
60	Panama	0.6087		60	Jamaica	0.6529		60	Jamaica	0.6332
61	Croatia	0.6083		61	Croatia	0.6522		61	Azerbaijan	0.6293
62	Cape Verde	0.5832		62	Trinidad and Tobago	0.6249		62	Thailand	0.6259
63	Bahrain	0.5807		63	Romania	0.6207		63	Italy	0.6255
64	Jordan	0.5768		64	Greece	0.6198		64	Mexico	0.6218
65	Kuwait	0.5756		65	Georgia	0.6157		65	Dominica	0.6130
66	Saint Kitts and Nevis	0.5637		66	Montenegro	0.6044		66	Saint Vincent and the Grenadines	0.5994
67	Trinidad and Tobago	0.5631		67	Antigua and Barbuda	0.6008		67	Kosovo	0.5949
68	Peru	0.5596		68	Bulgaria	0.5953		68	Colombia	0.5902
69	Oman	0.5577		69	Seychelles	0.5943		69	Uruguay	0.5770
70	Palau	0.5575		70	Belize	0.5866		70	South Africa	0.5725
71	Namibia	0.5575		71	Suriname	0.5851		71	El Salvador	0.5676
72	Tonga	0.5535		72	Bhutan	0.5832		72	Turkey	0.5651
73	Serbia	0.5482		73	India	0.5787		73	Croatia	0.5644
74	El Salvador	0.5430		74	Tonga	0.5775		74	Guatemala	0.5636
75	Greece	0.5331		75	Senegal	0.5749		75	Philippines	0.5580
76	Seychelles	0.5297		76	Panama	0.5694		76	Samoa	0.5577
77	Antigua and Barbuda	0.5279		77	Brazil	0.5673		77	Bahamas	0.5554
78	Philippines	0.5263		78	Serbia	0.5643		78	Slovenia	0.5522
79	Colombia	0.5214		79	Mongolia	0.5526		79	Indonesia	0.5414
80	Saudi Arabia	0.5183		80	Solomon Islands	0.5524		80	Albania	0.5399
81	Turkey	0.5182		81	Lesotho	0.5447		81	Serbia	0.5321
82	Bhutan	0.5162		82	Qatar	0.5438		82	Tonga	0.5294

83	Indonesia	0.5151		83	São Tomé and Príncipe	0.5377		83	Vanuatu	0.5068
84	Albania	0.5150		84	Tunisia	0.5318		84	Barbados	0.5035
85	Armenia	0.5144		85	Malaysia	0.5249		85	Trinidad and Tobago	0.5013
86	Brunei Darussalam	0.5139		86	El Salvador	0.5185		86	Republic of Moldova	0.4933
87	Mongolia	0.5125		87	Benin	0.5133		87	Zambia	0.4800
88	Mexico	0.5122		88	Macedonia (FYROM)	0.5014		88	Morocco	0.4744
89	Marshall Islands	0.5115		89	United Arab Emirates	0.4966		89	Mongolia	0.4724
90	Kosovo	0.5088		90	Jordan	0.4957		90	Vietnam	0.4686
91	Ghana	0.5046		91	Philippines	0.4945		91	Kyrgyz Republic	0.4671
92	Thailand	0.5005		92	Bosnia and Herzegovina	0.4937		92	Russian Federation	0.4670
93	India	0.4909		93	Albania	0.4901		93	Seychelles	0.4652
94	Grenada	0.4908		94	Indonesia	0.4888		94	Dominican Republic	0.4630
95	Rwanda	0.4769		95	Kuwait	0.4856		95	Antigua and Barbuda	0.4550
96	Dominican Republic	0.4717		96	Dominican Republic	0.4804		96	Bhutan	0.4491
97	Republic of Moldova	0.4672		97	Turkey	0.4712		97	Belarus	0.4480
98	Brazil	0.4638		98	Peru	0.4699		98	Greece	0.4464
99	Zambia	0.4625		99	Burkina Faso	0.4571		99	China	0.4427
100	Belize	0.4619		100	Guyana	0.4539		100	Uganda	0.4417
101	Federated States of Micronesia	0.4608		101	Colombia	0.4526		101	Namibia	0.4388
102	Kazakhstan	0.4595		102	Mali	0.4505		102	Sri Lanka	0.4178
103	Tunisia	0.4483		103	Oman	0.4482		103	Kenya	0.4156
104	Bosnia and Herzegovina	0.4469		104	Zambia	0.4450		104	Honduras	0.4131
105	Morocco	0.4381		105	Malawi	0.4418		105	Cape Verde	0.4104
106	Guatemala	0.4208		106	Republic of Moldova	0.4410		106	India	0.4031
107	Senegal	0.4097		107	Kosovo	0.4226		107	Paraguay	0.4006
108	Azerbaijan	0.4087		108	Fiji	0.4224		108	Bosnia and	0.4002

									Herzegovina	
109	Kiribati	0.4073		109	Timor-Leste	0.4213		109	Fiji	0.3843
110	Solomon Islands	0.4047		110	Papua New Guinea	0.4043		110	Nicaragua	0.3672
111	Fiji	0.4034		111	Argentina	0.4028		111	Lebanon	0.3651
112	Suriname	0.4007		112	Mexico	0.4025		112	Tunisia	0.3648
113	Burkina Faso	0.3975		113	Morocco	0.4019		113	Brazil	0.3602
114	Lesotho	0.3971		114	Bolivia	0.3947		114	Cambodia	0.3580
115	Sri Lanka	0.3925		115	Bahrain	0.3926		115	Saint Kitts and Nevis	0.3492
116	São Tomé and Príncipe	0.3835		116	Niger	0.3909		116	Ghana	0.3450
117	Uganda	0.3798		117	Tanzania	0.3888		117	Swaziland	0.3400
118	Kenya	0.3784		118	Brunei Darussalam	0.3878		118	Burkina Faso	0.3378
119	Paraguay	0.3644		119	Mozambique	0.3860		119	Belize	0.3371
120	Benin	0.3628		120	Maldives	0.3860		120	Ukraine	0.3249
121	Kyrgyz Republic	0.3600		121	Armenia	0.3790		121	West Bank and Gaza	0.3228
122	Guyana	0.3570		122	Saudi Arabia	0.3789		122	Ivory Coast	0.3217
123	China	0.3553		123	Thailand	0.3752		123	Uzbekistan	0.3090
124	Vietnam	0.3546		124	Sri Lanka	0.3672		124	Tanzania	0.3035
125	Nicaragua	0.3497		125	Liberia	0.3628		125	Tajikistan	0.3018
126	Papua New Guinea	0.3475		126	Ivory Coast	0.3590		126	Madagascar	0.2950
127	Tanzania	0.3462		127	Kenya	0.3412		127	Maldives	0.2932
128	Mali	0.3438		128	Sierra Leone	0.3385		128	Egypt	0.2920
129	Russian Federation	0.3425		129	Nicaragua	0.3323		129	Nepal	0.2919
130	Lebanon	0.3417		130	Ukraine	0.3297		130	Grenada	0.2910
131	Honduras	0.3405		131	Paraguay	0.3282		131	Papua New Guinea	0.2906
132	Ivory Coast	0.3404		132	Algeria	0.3244		132	Palau	0.2857
133	Maldives	0.3396		133	Mauritania	0.3217		133	Lao People's Democratic Republic	0.2818
134	Ukraine	0.3273		134	Lebanon	0.3183		134	Ecuador	0.2773
135	Belarus	0.3118		135	Uganda	0.3178		135	Marshall Islands	0.2646

136	Nepal	0.3040		136	Nepal	0.3162		136	Guyana	0.2602
137	Madagascar	0.2991		137	Comoros	0.3123		137	Solomon Islands	0.2569
138	Swaziland	0.2953		138	Gabon	0.3117		138	Lesotho	0.2495
139	Niger	0.2945		139	Rwanda	0.3099		139	Islamic Republic of Iran	0.2464
140	Bolivia	0.2926		140	Madagascar	0.3032		140	Senegal	0.2445
141	Malawi	0.2910		141	Ecuador	0.3016		141	Mali	0.2370
142	Argentina	0.2904		142	Bangladesh	0.2993		142	Cameroon	0.2303
143	Mozambique	0.2902		143	Egypt	0.2865		143	São Tomé and Príncipe	0.2292
144	Ecuador	0.2895		144	Pakistan	0.2787		144	Gabon	0.2251
145	Egypt	0.2892		145	Guatemala	0.2779		145	Gambia	0.2240
146	West Bank and Gaza	0.2819		146	Cuba	0.2754		146	Bangladesh	0.2215
147	Sierra Leone	0.2771		147	Honduras	0.2680		147	Suriname	0.2164
148	Gabon	0.2684		148	China	0.2679		148	Sierra Leone	0.2156
149	Cambodia	0.2668		149	Nigeria	0.2631		149	Haiti	0.2136
150	Bangladesh	0.2604		150	Togo	0.2616		150	Pakistan	0.2127
151	Comoros	0.2571		151	Ethiopia	0.2545		151	Benin	0.2122
152	Timor-Leste	0.2500		152	Kyrgyz Republic	0.2529		152	Ethiopia	0.2118
153	Algeria	0.2479		153	Swaziland	0.2506		153	Nigeria	0.2117
154	Pakistan	0.2457		154	West Bank and Gaza	0.2410		154	Togo	0.2071
155	Liberia	0.2391		155	Vietnam	0.2406		155	Djibouti	0.2048
156	Nigeria	0.2374		156	Cameroon	0.2313		156	Comoros	0.2020
157	Togo	0.2344		157	Haiti	0.2223		157	Federated States of Micronesia	0.2010
158	Ethiopia	0.2332		158	Djibouti	0.2216		158	Niger	0.1980
159	Mauritania	0.2316		159	Russian Federation	0.2180		159	Mozambique	0.1945
160	Cameroon	0.2308		160	Kazakhstan	0.2126		160	Bolivia	0.1904
161	Tajikistan	0.2182		161	Gambia	0.2083		161	Argentina	0.1780
162	Haiti	0.2179		162	Republic of the Congo	0.2060		162	Algeria	0.1713
163	Gambia	0.2161		163	Guinea	0.1956		163	Sudan	0.1640
164	Lao People's Democratic	0.2141		164	Azerbaijan	0.1881		164	Iraq	0.1534

	Republic									
165	Djibouti	0.2132		165	Guinea-Bissau	0.1775		165	Burundi	0.1496
166	Uzbekistan	0.1875		166	Cambodia	0.1757		166	Kiribati	0.1478
167	Islamic Republic of Iran	0.1832		167	Belarus	0.1756		167	Mauritania	0.1414
168	Guinea	0.1604		168	Burundi	0.1705		168	Malawi	0.1402
169	Burundi	0.1600		169	Lao People's Democratic Republic	0.1464		169	Guinea-Bissau	0.1309
170	Guinea-Bissau	0.1542		170	Angola	0.1371		170	Guinea	0.1251
171	Cuba	0.1433		171	Tajikistan	0.1346		171	Liberia	0.1154
172	Iraq	0.1340		172	Chad	0.1325		172	Republic of Yemen	0.1058
173	Republic of the Congo	0.1273		173	Myanmar	0.1290		173	Zimbabwe	0.0927
174	Sudan	0.1181		174	Zimbabwe	0.1286		174	Myanmar	0.0920
175	Angola	0.1127		175	Islamic Republic of Iran	0.1200		175	Angola	0.0884
176	Zimbabwe	0.1107		176	Afghanistan	0.1174		176	Timor-Leste	0.0787
177	Myanmar	0.1105		177	Iraq	0.1145		177	Democratic Republic of the Congo	0.0785
178	Republic of Yemen	0.1065		178	Central African Republic	0.1141		178	Central African Republic	0.0701
179	Chad	0.0944		179	Libya	0.1109		179	Afghanistan	0.0688
180	Democratic Republic of the Congo	0.0939		180	Democratic Republic of the Congo	0.1093		180	Chad	0.0563
181	Afghanistan	0.0931		181	Republic of Yemen	0.1072		181	Syrian Arab Republic	0.0519
182	Central African Republic	0.0921		182	Bolivarian Republic of Venezuela	0.0967		182	Equatorial Guinea	0.0517
183	Bolivarian Republic of Venezuela	0.0622		183	South Sudan	0.0887		183	Republic of the Congo	0.0486

184	Libya	0.0608		184	Sudan	0.0723		184	Turkmenistan	0.0281
185	Syrian Arab Republic	0.0566		185	Uzbekistan	0.0660		185	Bolivarian Republic of Venezuela	0.0276
186	South Sudan	0.0523		186	Syrian Arab Republic	0.0614		186	Eritrea	0.0195
187	Equatorial Guinea	0.0471		187	Turkmenistan	0.0465		187	South Sudan	0.0159
188	Turkmenistan	0.0373		188	Eritrea	0.0431		188	Cuba	0.0112
189	Eritrea	0.0313		189	Equatorial Guinea	0.0425		189	Libya	0.0106
190	North Korea	0.0098		190	North Korea	0.0139		190	North Korea	0.0056

MIGRATION AND INSTITUTIONAL QUALITY

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The news could hardly be more dramatic and its impact is magnified by the ease with which we are able to view its shocking images: young children washed up on a beach having drowned as a result of their parents' bid to seek asylum or better employment prospects in a foreign land; hundreds or even thousands of people living in makeshift camps while they wait for permission to move on; hundreds more being refused permission to stay and being deported back to their country of origin to face violence, repression and starvation; walls being erected either to stop people getting out or to stop them getting in. An issue of The Economist in 2016 stated that "Refugees are reasonable people in desperate circumstances. Life for many of the 1m-odd asylum-seekers who have fled Syria, Iraq, Afghanistan and other war-torn countries for Europe has become intolerable".

Another crisis is occurring in our own region, although not of course on the same scale as the one currently afflicting Europe and the Middle East. The first steps towards normalising US-Cuban relations have rather curiously led to a huge wave of migrants trying to enter the United States. The reason is many Cubans' fear that a normalisation of relations could lead to the repeal of the Cuban Adjustment Act that allows all Cubans with "dry feet" – i.e. those who have made it ashore onto US territory – to remain in the United States, whilst also decreeing that those caught on the water between the two nations shall be sent home to Cuba. People are thus anxious to get into the US before the Act is repealed. And Cubans are now able to leave their country without needing to obtain permission from the government. As a result, many have been flying to a variety of destinations as far south even as Ecuador. They then try to make their way north by land with the aid of 'coyotes' who they pay to smuggle them across the desert border regions that separate several of the countries in question. This has generated huge controversy in the countries that they pass through – there are currently hundreds or even thousands of Cubans stranded on the borders of some Central American countries.

Migration is an issue that has figured prominently in the news in recent years. It raises a number of questions that are closely connected to institutional quality, as well of course as ethical and economic considerations that will also be addressed in this article. The hypothesis that we will be examining here is a simple one: countries with good institutional quality tend to attract immigrants in such large numbers that some end up erecting physical or regulatory barriers; on the other hand, people tend to emigrate from countries with poor institutional quality and in some extreme cases these countries may even build walls to stop them getting out.

According to the United Nations, there were 243,700,236 migrants worldwide in mid-2015, 8% or 19.5 million of whom were refugees. The countries with the highest numbers of immigrants are the United States (46.6 million), Germany (12 million), the Russian Federation (11.6 million), Saudi Arabia (10.2 million), the United Kingdom (8.5 million), the United

Arab Emirates (8.1 million), Canada (7.8 million), France (7.8), Australia (6.7) and Spain (5.8). The main immigrant destinations in Latin America are Argentina (2 million), Venezuela (1.4), Mexico (1.2) and Brazil (0.7).[1]

This figure is equivalent to 3.3% of the world population. In other words, we are not actually witnessing a stampede of migrants, although there is of course no saying what might happen if the current barriers restricting their movements were to be removed. It should also be remembered that the percentage of migrants varies significantly from one jurisdiction to another. The percentage is much higher in countries with small populations, especially islands or city-states[2]. If these are excluded, the countries with the highest proportion of immigrants are the United Arab Emirates (88.4%), Qatar (75.5%), Kuwait (73.6%), Singapore (45.4%), Luxembourg (44%), Hong Kong (38.9%), Saudi Arabia (32.3%), Switzerland (29.4%), Australia (28.2%), Israel (24.9%), New Zealand (23%), Canada (21.8%), Austria (17.5%) and Sweden (16.8%). The highest percentages among the larger countries are Germany (14.9%), the United States (14.5%), the United Kingdom (13.2%), Spain (12.7%) and France (12.1%).

If we exclude the high percentages of the small Caribbean islands (e.g. Bonaire 52.3%, Anguilla 37.4%, Aruba 34.8%), the highest percentages for Latin America are found in Costa Rica (8.8%), Argentina (4.8%), Panama (4.7%) and Venezuela (4.5%). And finally, the leaders among the larger countries are Mexico (0.9%) and Brazil and Colombia (both 0.3%). It is clear from these figures that the proportion of migrants in Latin America is much lower than in Europe and North America.

The figures also illustrate migrants' preference for countries with high institutional quality and for Middle Eastern nations that suffer from a natural shortage of labour while also rating relatively highly with regard to the quality of their market institutions. The high number of migrants in the Russian Federation is linked to the break-up of the Soviet Union. During the decades of the Soviet regime, ethnic Russian settlers spread out into all the countries on the periphery of the USSR. But once these countries regained their independence, the Russian 'diaspora' slowly but surely started to return to Russia.

The countries with the lowest percentage of migrants include several that have poor institutional quality. It is hardly surprising that China should feature among this group, given the size of its native population and its relatively low institutional quality (migrants account for just 0.1% of the Chinese population). Other countries with similarly low migrant percentages include Myanmar, Madagascar, Indonesia, Cuba and Vietnam.

The average proportion of migrants in the ten countries with the best institutional quality is 17.85%, whereas it is just 3.66% for the ten countries with the worst institutional quality.

[1] United Nations, Department of Economic and Social Affairs (2015). Trends in International Migrant Stock: The 2015 revision (United Nations database, POP/DB/MIG/Stock/Rev.2015).

[2] Migrants make up 100% of the population of the Vatican

The debate

The figures presented above are more than enough to illustrate what is in fact a self-evident phenomenon: a migrant "flight to quality", to borrow the term used by the capital markets when uncertainty causes investors to seek out safer options. It no more surprising that people fleeing the violence perpetrated by so-called ISIS should head for Europe rather than Africa than that people from Central America seeking better employment opportunities should head north rather than south.

Nonetheless, this process has generated huge controversy and debate. It has raised an extremely wide range of issues and, as with many other questions, some observers have put forward arguments concerning the costs and benefits of migratory flows whilst others have focused on respect for or violation of certain fundamental rights (see e.g. Clemens, 2011 for the former and Huemer, 2010 for the latter). In this article, we are going to try and look at both aspects together. A report by the International Organization for Migration (Esipova et al, 2015) based on a Gallup poll found that – with the exception of Europe – people across the globe tend to view immigration positively and are in favour of it remaining at its present level or even increasing. Things are different in Europe where there is a majority in favour of reducing immigration, although there is a divergence in attitudes between people in Northern Europe, who would like to see levels of immigration increase, and people in Southern Europe who would prefer to see them decrease (p. 1).

Globally, those who would prefer immigration to stay at its present level (22%) or increase (21%) outnumber those who would prefer its level to decrease (34%). In Europe, however, the majority of people (52%) wish to see a decrease. "In seven of the top 10 destination countries for international migrants, majorities say immigration should be increased or kept the same (United States, Canada, Australia, United Arab Emirates, Saudi Arabia, Germany and France), while majorities in the other three say immigration levels should decrease (Russian Federation, United Kingdom and Spain)" (Esipova et al, 2015, p. 2).

As for Latin America, there is a difference between the countries of Central America and South America. Costa Rica (59%), El Salvador (59%) and Mexico (54%) all have majorities in favour of lower immigration levels; Honduras is the only country where the number of people who would like to see less immigration is matched by the number who would like to see more (44% in both cases). It is rather paradoxical that such attitudes should be prevalent in countries that are themselves the source of many of the immigrants who come to the United States, Canada and Europe. In South America, on the other hand, most of the people interviewed wished to see immigration kept at its present level or increased. The exceptions were Ecuador and Bolivia, where 62% and 51% respectively favoured a decrease. 36% of people in Brazil would like to maintain immigration at its present level and 20% are in favour of an increase. However, as we have already seen, the level of immigration in Brazil is very low. In North America, there are majorities in favour of keeping immigration levels the same (United States 33%; Canada 45%) or increasing them (United States 23%; Canada 22%) (Esipova et al, 2015, p. 9).

Let us now take a closer look at the issues that have been the main source of controversy:

1. Barriers to immigration are a violation of people's rights

As a rule, everyone agrees that people should have a right to "exit", even though there are some places where this right does not exist, such as North Korea or, until recently, Cuba. We also believe that placing restrictions on people leaving a country is a violation of the negative liberty of freedom of movement that belongs to each and every one of us. However, does the right to entry also exist? There is much less of a consensus on this question, with those who maintain that it does not ranging all the way from one end of the political and philosophical spectrum to the other. For instance, renowned libertarian Murray Rothbard modified his originally classical liberal views on immigration in 1994, arguing that in a libertarian private property society where there is no State, no right of free entry would exist anywhere without the consent of the property owner, as is in fact currently the case for all types of private property – we may not enter a private estate, club or home 'freely' unless we are permitted or invited to do so by the owner.

Does this principle still hold true if there is a State, as in today's societies? Can we infer that the State is the common property of all a country's citizens and that just as no-one may enter private property without the owner's consent, so no-one may enter a country without the permission of those who own it?

The problem with this line of reasoning arises from the idea that a State is the common property of its citizens. In the case of a private estate or a club, an 'outsider' may be allowed in as a guest at the discretion of the individual who owns the estate or an individual member of the club. In the case of a State, however, if there are barriers to immigration then an individual citizen is not entitled to 'invite' anyone in. This problem raises all kinds of much more profound questions that, despite their importance, cannot be addressed in this article.

In principle, it could be argued that barriers to immigration potentially violate citizens' right to 'invite' foreigners into their homes or enter into a given type of relationship with them. Let us suppose that I wish to employ a foreign worker – why should I be prevented from doing so? Wouldn't this be a violation of my right to enter into a contractual relationship with whoever I choose to?

Huemer (2010) goes one step further by arguing that it would also violate the immigrant's rights, in essence because they too have the right to enter into a contractual relationship with me, a right that would be violated if they were denied this opportunity:

"The way the government harms potential immigrants is by excluding them from a certain physical area, and thereby effectively excluding them from interacting in important and valuable ways with people (other than the government itself) who are in that region. Many Americans would happily trade with or employ these would-be immigrants, in a manner that would enable the immigrants to satisfy their needs. The government does not merely refuse to give goods to the potential immigrants, nor does it merely refuse, itself, to trade with them. It expends great effort and resources on actively stopping Americans from trading with or employing them in the relevant ways."

However, free contracts between two or more parties have the potential to generate ‘external’ effects or externalities. But any harm that could result from such an arrangement with an immigrant would be no different to the harm that might be caused by similar contracts between natives, where the consequences simply have to be assimilated. There are, however, other ‘external’ effects commonly attributed to immigration which, it is claimed, are not generated by similar contracts between natives. These include the impact on employment, public spending, law and order and local culture and institutions.

2. Unrestricted immigration harms local employment

Another interesting finding of the Gallup poll referred to above is that 58% of residents of high-income countries say that immigrants do jobs that they would not wish to do themselves while only 18% say the opposite. The same finding also applies to the top ten migration destination countries (op. cit., p. 2).

Julian Simon (1989, p. 357) cites a study that he conducted with Stephen Moore in which they interviewed 27 top economists who had been president of the American Economic Association or members of the President’s Council of Economic Advisors. Twenty-two of them said that the effect of twentieth-century immigration had been very favourable, while the other five said it had been slightly favourable. None of them considered it to have had an unfavourable impact.

A study cited by Huemer (2010) estimated that immigration in the 1980s may have reduced the wages of native-born workers in the most strongly affected industries by 1-2% (5% for high school dropouts).

Meanwhile, an OECD study (2014) reports that in the ten years up to 2012, migrants accounted for 47% of the increase in the workforce in the United States and 70% in Europe. They also represented about a quarter of entries into the most strongly declining occupations in the United States (28%) and Europe (24%). These are basically blue-collar jobs involving work that is considered unattractive by the native population, as confirmed by the Gallup poll cited above. The proportion of immigrants holding higher education qualifications in OECD countries has grown strongly, rising by 70% during the past decade to a total of almost 30 million in 2010/11. This is largely due to immigration from Asia.

Dalmia (2012) describes how “A 2005 World Bank report found that if the 30 Organization for Economic Cooperation and Development (OECD) countries allowed a 3 percent rise in the size of their labor forces through loosened immigration restrictions, the gains to citizens of poor countries would amount to about $300 billion. That’s $230 billion more than the developed world currently allocates in foreign aid for poor countries. Fully open borders would double world GDP in a few decades, virtually eliminating global poverty.” She adds that economists agree that immigrants increase native earnings from somewhere between $6 billion to $22 billion (in 2003 dollars) annually.

Furthermore, it would appear that immigrants show greater entrepreneurship than the native population. Dalmia (op. cit.) quotes a Kauffman Foundation study which calculated that immigrant-founded companies in the United States produced $52 billion in sales and employed 450,000 workers in 2005. 25% of high-tech companies founded between 1995 and 2005 had at least one immigrant founder. Over 40% of companies on the 2010 Fortune 500 list were founded by immigrants or their children. Immigrants obtain patents at double the rate of natives. A recent study by the German bank KfW (Bank aus Verantwortung) found that a high proportion of immigrants start businesses in some form or other.

Between 2009 and 2014, 1.86% of immigrants established a start-up, whereas the figure for German citizens was just 1.68%. In 2014, this was equivalent to 179,000 immigrants (KfW 2015).

These findings apply to refugees as well as labour migrants. According to The Economist (2016): "When more than 1m "boat people" fled Vietnam after the communists took over in 1975, they went initially to refugee camps in Hong Kong and other parts of Asia before being sent to America, Europe, Australia and wherever else would take them. They arrived with nothing but adapted astonishingly fast: the median household income for Vietnamese-Americans, for example, is now above the national average".

It turns out, however, that the consensus on the benefits of unrestricted immigration is not as unanimous as it might seem. Harvard professor George Borjas, a renowned author on the subject, argues that natives only benefit from immigration as long as immigrants and natives differ in their productive endowments; that the benefits are larger the greater the differences in endowments; and that the benefits are not evenly distributed over the native population – natives who have productive endowments that complement those of immigrants gain, while those who have endowments that compete with those of immigrants lose (1999, p. 1700).

In a recent paper (2015), Borjas asks "what types of gains or losses would accrue to the world's population if countries decided to remove all legal restraints to international migration and workers moved to those countries that offered them the highest wages?" The author carries out a simulation that leads him to conclude that the removal of immigration restrictions would lead to a 60% increase in global GDP each year after the migration occurs, based on the admittedly debatable assumption that 95% of the workforce of the world's poor countries would move to the richer countries. The earnings of Southern migrants would increase by 143%, while those of the North's native workforce would fall by around 40%. Meanwhile, the income of global capitalists would grow by 57% (thanks to the lower cost of employing migrants).

However, Borjas then goes on to introduce an institutional variable into the mix. He raises the concern that these migrants would bring their culture with them, thereby threatening or changing the host country's institutions. Borjas uses a variable that (supposedly) makes it possible to measure the impact of everything from zero institutional change to full institutional change, opting for a value in the middle of this spectrum (p. 968). The global GDP gains now fall from 60% to 12% – and if the cost of immigration is also taken into account, the gains actually turn into a loss.

Ignoring some of the basic teachings of the economic analysis of politics with regard to the interests of local groups (such as the trade unions) and politicians, he asks why countries have been too stupid to take advantage of the benefits of immigration if they really are as great as they are made out to be (p. 972). He ends by questioning the claims of the "social engineers" who promise trillion-dollar benefits, maintaining that their "promises are based on flimsy modeling and inadequate evidence".

Dalmia (2012) casts doubt on the similar conclusions of previous studies by Borjas, pointing out that immigration follows a 'market logic' whereby the immigrants who come to a country are the ones whose skills complement those of the native-born rather than competing with them. She adds that there is a great deal of literature suggesting that if immigrants compete with anyone, it is with other immigrants. Moreover, she argues that the claimed negative impact on low-skilled native workers arises from people assuming far greater substitutability than is warranted. She cites the conclusion of Kerr & Kerr (2011) that “The large majority of studies suggest that immigration does not exert significant effects on native labor market outcomes. Even large, sudden inflows of immigrants [such as in the Mariel boat incident in 1980] were not found to reduce native employment significantly”. Borjas’ findings have also been questioned by other authors, some of whom even deny that there is any significant impact on low-skilled native workers. Ottaviano & Peri (2008) found a negative short-term effect upon this group of just 0.7% and a positive long-term effect of 0.3%.

Huemer (2010) takes a broader view and asks, from a moral philosophical standpoint, whether even if native workers were to be harmed this would be enough to justify violating the right of the local employer and foreign immigrant to reach a mutual agreement. Another approach would be to argue that the impact on native workers is a “pecuniary externality” that is not subject to legal action since it does not harm the “property” of other workers. Workers are not the “owners” of any particular job but only of their own labour, which they can always offer to other parties. If native workers actually did “own” a particular job, their employers’ relationship towards them would be characterised by “servitude”. Such a relationship would be incompatible with the freedom that we expect to find in a modern society.

3. Immigrants are a fiscal burden

In this instance, the perceived problem is that the benefits obtained by immigrants from the Welfare State are greater than their contributions to it. This is of course an inherent problem with the Welfare State, irrespective of whether we are talking about natives or foreigners – its raison d’être is, after all, to redistribute wealth in a manner that is not dependent on the level of contributions made by each individual.

According to the OECD, “Recent work on the fiscal impact of migration for all European OECD countries, as well as Australia, Canada and the United States, has provided new and internationally comparative evidence (Liebig and Mo, 2013). The study suggests the impact of the cumulative waves of migration that arrived over the past 50 years in OECD countries is on average close to zero, rarely exceeding 0.5% of GDP in either positive or negative terms. The impact is highest in Switzerland and Luxembourg, where immigrants provide an estimated net benefit of about 2% of GDP to the public purse” (OECD, 2014, p. 2). “Contrary to widespread public belief, low-educated immigrants have a better fiscal position – the difference between their contributions and the benefits they receive – than their native-born peers. And where immigrants have a less favourable fiscal position, this is not driven by a greater dependence on social benefits but rather by the fact that they often have lower wages and thus tend to contribute less” (p. 3). Dalmia (2012) cites a study by the Kenan Institute of Private Enterprise at the University of North Carolina which found that although Hispanic immigrants, many of them unauthorized, had imposed a net $61 million cost on the state budget, this was a pittance compared to the $9 billion they had contributed to the gross state product. She describes how, on average, a typical immigrant represents a positive $80,000 fiscal gain to the government, despite a $25,000 negative impact at the state level.

Of course, even if immigrants did represent a fiscal burden to the State as a result of them using the services provided by the Welfare State, it does not follow that they should be prevented from entering the country. They could simply be charged for the services in question, at least until they had paid a certain amount of tax just like any other citizen.

4. Immigrants can disrupt local culture and ultimately also local institutions

It has already been mentioned that Borjas (2015) raises the concern that an influx of immigrants could change the host country's culture and ultimately also its institutions. The author's reasoning draws in particular on his model's assumption that only mass migration can deliver the promised benefits of immigration. "For immigration to generate substantial global gains, it must be the case that billions of immigrants can move to the industrialized economies without importing the "bad" organizations, social models, and culture that led to poor economic conditions in the source countries in the first place." (p. 968).

The existence of neighbourhoods inhabited entirely by immigrants in some European and North American cities might make us fear that this could indeed happen, but there is a big difference between fearing it could happen and it actually being a likely scenario. It is the Western culture of the countries receiving the highest numbers of immigrants that enabled them to develop the institutions that facilitated their growth and prosperity. If their institutions have deteriorated at all, this is more likely due to cultural changes brought about by their own citizens rather than changes imported by immigrants. After all, the major totalitarian ideologies of the 20th century that brought havoc and disaster to the whole world originated in Europe and were not imported by immigrants. Moreover, "Western" culture can hardly be described as weak – it is the world's other cultures that would seem to have far more to be worried about. In an aside, Huemer (2010) comments that:

"For example, Coca-Cola now sells its products in over 200 countries around the world, with the average human being on Earth drinking 4.8 gallons of Coke per year. McDonald's operates more than 32,000 restaurants in over 100 countries. The three highest grossing movies of all time, worldwide, were *Avatar*, *Titanic*, and *The Lord of the Rings: The Return of the King*. All three were made by American companies, but 70% of the box-office receipts came from outside the United States. The television show, *Who Wants to Be a Millionaire?*, has been franchised in over 100 countries worldwide, including such diverse places as Japan, Nigeria, Venezuela, and Afghanistan. Whether one sees the phenomenon as desirable, undesirable, or neutral, Western culture has shown a remarkable ability to establish roots in a variety of societies around the world, including societies populated almost entirely by non-Western people. This robustness suggests that American culture is in no danger of being eradicated from America, even if America should drastically increase its rate of immigration. Other societies may have cause to fear the loss of their cultures due to foreign influence, but America does not."

Of course immigration influences a country's culture, but it does so by increasing diversity. Moreover, the opposite may in fact also occur. In what is known as the 'melting pot' effect, immigrants or their children become assimilated into the local culture. While it is true that this may appear less likely with some immigrant groups that come and settle in certain parts of Europe without even learning their host country's language, one would also need to consider whether there are any barriers preventing their integration.

Ludwig von Mises, a citizen of the Austro-Hungarian Empire which was itself an extremely diverse assemblage of different nationalities, languages and cultures, had the following to say on the subject (1983, p. 76):

“A nation that believes in itself and its future, a nation that means to stress the sure feeling that its members are bound to one another not merely by accident of birth but also by the common possession of a culture that is valuable above all to each of them, would necessarily be able to remain unperturbed when it saw individual persons shift to other nations. A people conscious of its own worth would refrain from forcibly detaining those who wanted to move away and from forcibly incorporating into the national community those who were not joining it of their own free will. To let the attractive force of its own culture prove itself in free competition with other peoples—that alone is worthy of a proud nation, that alone would be true national and cultural policy. The means of power and of political rule were in no way necessary for that.”

Huemer (2010) makes the observation that while people may have an interest in controlling their culture, not everything in which one has an interest is something that one may secure or protect through coercion. Let us suppose that immigrants – or, for that matter, natives – who practise a different religion have started to move into your neighbourhood. Do you have the right to force these people not to practise their religion, bearing in mind that a particular religion is often an important part of a given culture? And if you don’t have the right to do this to your fellow countrymen, do you have the right to do it to immigrants?

Similar arguments may be made in connection with the fear that immigrants will commit crimes. The empirical evidence shows that the crime rate is no higher among immigrants than among natives. Moreover, the same arguments may be applied to any kind of internal migration and to the presence of criminals in informal settlements, even though they are natives.

5. Migrants help the poor in other parts of the world

This is not so much a controversial topic as simply a fact that needs to be taken into account. The arrival of migrants, be it of refugees or labour migrants, involves a movement of people from societies that have low productivity due to a lack of capital investment to societies with much higher productivity. This means that they are able to earn much higher incomes than in their countries of origin and is one of the main incentives for them to emigrate in the first place. And these higher earnings translate into the biggest and most ethically-based aid programme imaginable: remittances.

The World Bank estimates that in 2015, the total value of remittances came to $588.199 billion[3], four times more than the total for all international aid. Indeed, remittances have become the main source of income for some countries. For instance, they account for 41.7% of GDP in Tajikistan, 30.3% in Kyrgyzstan and 29.9% in Nepal. In Latin America, meanwhile, they comprise 22.4% of GDP in Haiti, 17.8% in Honduras, 16.8% in El Salvador, 15.7% in Jamaica, 10.2% in Guyana, 9.9% in Guatemala and 9.7% in Nicaragua.

[3] http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data

The money that successful emigrants send home to their families back in their countries of origin adds up to an enormous aid programme. Such is its scale that in some Central American countries, for example, income from remittances is now the largest item in their balance of payments. In other words, they receive more dollars from remittances than from the sale of any of their exports.

Remittances are the ultimate symbol of people and families using their own initiative and prosperity to help themselves. Few other impacts of migration are as positive and effective.

Conclusions

The first conclusion is straightforward, perhaps even obvious: refugees and immigrants wish to leave countries or jurisdictions where poor institutional quality engenders violence, terror, starvation and poverty for places where higher institutional quality affords them more and better opportunities to improve their lot.

Ultimately, this is just confirmation of an age-old law of economics: resources move in search of the highest-value use and they will continue to do so until the differences cease to exist. Of course, changing circumstances mean that this process is in constant flux, but the underlying trend remains the same. In this instance, it is human beings who make up the production "resource" that moves in search of better conditions. Whilst a purely economic analysis will focus on differences in monetary income as the driver of these movements, our decisions are in fact based on a very wide variety of factors that motivate us to take action in order to improve our situation. These factors may be economic or non-economic and may involve the search for a higher income, the chance for a better future, peace and tranquillity, educational opportunities, religious freedom, better weather or a more sociable society. Most of them tend to be more accessible in the countries that our study has shown to have better institutional quality.

The better conditions in these countries are made possible by their higher institutional quality. Of course, some of the factors such as the weather have nothing to do with institutional quality, while others such as sociability may even be more common in countries with lower institutional quality. In general, however, the fact that migrants are attracted to countries with better institutional quality is a sure sign that it is these countries that are able to give them what they are looking for.

At a global level, competition occurs between different jurisdictions, although this is admittedly a very slow process. Emigration and immigration are both an effect and an indicator of this competition, which is significantly influenced by institutional quality. Countries are under pressure to have high-quality institutions, since those with good institutional quality attract resources such as migrants, while those with poor institutional quality lose them. Over the longer term, the trend seems to be for institutional quality to improve, even though many current events and events from recent history have undoubtedly given rise to doubts and setbacks. It would appear that this overall positive trend is driven by the competition referred to above. In the past, this competition was fundamentally military in nature, but with the advent of capitalism and globalisation it has now become primarily commercial and economic. As we have seen, however, this does not mean that military competition has disappeared completely – it remains responsible for creating refugees, whereas economic competition results in migrants.

By closing its doors to refugees and migrants, a country restricts competition and runs the risk of economic competition being replaced by military competition. Although migration is not without its costs, it would seem reasonable to expect that it will continue to exert pressure on countries with poor institutional quality to improve their institutions, thereby increasing the opportunities for their inhabitants to improve their lives.

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